

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-15 AID-05 NSC-05

TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 OIC-02 /101 W

-----023340 201619Z /43

P 201407Z OCT 77

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 704

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PASS TREASURY

E.O. 11652: N/A

TAGS: EINV, ETRD, EG

SUBJ: CAIRO MEETING OF EGYPT-US JOINT BUSINESS COUNCIL

1. SUMMARY: EGYPT-U.S. BUSINESS COUNCIL HELD ITS THIRD JOINT MEETING IN CAIRO OCTOBER 12 AND 13. SESSION OFFERED USEFUL OPPORTUNITY REVIEW COUNCIL ACTIVITIES, LOOK AT CHANGES IN GOE LEGISLATION AND APPROVE NEW PROGRAMS. END SUMMARY

2. THIRD JOINT MEETING OF EGYPT-U.S. BUSINESS COUNCIL, WHICH TOOK PLACE OCTOBER 12 AND 13 IN CAIRO, APPEARED BE VIEWED BY MOST PARTICIPANTS AS GENERALLY USEFUL SESSION. U.S. SECTION CONSISTING OF TWENTY-TWO SENIOR EXECUTIVE MEMBERS AND APPROXIMATELY EQUAL NUMBER OF OBSERVERS, WAS LED BY DAVID SCOTT, CHAIRMAN OF ALLIS-CHALMERS CORP. AND HEAD OF U.S. SECTION OF COUNCIL.

3. FIRST WORKING SESSION FEATURED BRIEFING BY AMBASSADOR AT EMBASSY, FOLLOWED BY QUESTION AND ANSWER PERIOD, AND BY U.S. SECTION CAUCUS. DURING DISCUSSIONS WITH U.S. SECTION MEMBERS AND OBSERVERS (MANY OF LATTER WERE LOCAL REPS. OF BUSINESS COUNCIL MEMBER FIRMS) ONE OF CONCERNS MOST PERSIST-
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ENTLY VOICED WAS THAT RECENT "ANTI-BOYCOTT" LEGISLATION IN U.S., BOTH RIBICOFF AMENDMENT TO 1976 TAX REFORM ACT AND RECENT EXPORT ADMINISTRATION ACT AMENDMENTS, WOULD HAVE SIGNIFICANT ADVERSE IMPACT ON ACTIVITIES OF U.S. FIRMS OPERATING IN ARAB WORLD. LEVEL OF CONCERN ABOUT THIS MATTER APPEARED BE EVEN HIGHER THAN DURING RECENT VISIT OF STATE/ COMMERCE/TREASURY TEAM, WHEN EFFORT INVOLVED IN TRYING UNDER-

STAND COMPLEXITIES OF LEGISLATION PERHAPS MUTED CRITICISM
AND CONCERN TO SOME DEGREE.

4. FIRST JOINT ACTIVITY WITH EGYPTIAN SECTION WAS OCTOBER 12 LUNCHEON, ATTENDED BY SEVERAL MINISTERS, AT WHICH DEPPRIMIN KAISOUNI WAS FEATURED SPEAKER. AT PLENARY MEETING WHICH FOLLOWED, THERE WAS DISCUSSION OF CURRENT COUNCIL PROJECTS INCLUDING: INVESTMENT STIMULATION PROGRAM (WHICH WILL BE RE-STRUCTURED; GOE INVESTMENT AUTHORITY WILL ESTABLISH INVESTMENT INFORMATION CENTER, AND AID PLANS TO FUND POSITION FOR AMERICAN WHO WILL ASSIST EGYPTIAN HEAD OF CENTER) AND MANAGEMENT TRAINING PROGRAM (COUNCIL, AID, AND EGYPTIAN INSTITUTIONS ARE WORKING OUT DETAILS OF PROGRAM FOR PROVIDING TRAINING, BOTH IN EGYPT AND IN U.S., FOR EGYPTIAN MIDDLE MANAGERS).

5. TASK FORCE ON FREE ZONES PRESENTED REPORT ANALYZING VARIOUS ASPECTS OF BUSINESS OPERATIONS IN FREE ZONES AND SUGGESTED SOME STEPS, INCLUDING CONTINUED IMPROVEMENT OF INFRASTRUCTURE AND A MORE DYNAMIC "SELLING" OF FREE ZONE CONCEPT ABROAD, WHICH WOULD HELP SPEED DEVELOPMENT OF FREE ZONE AREAS. REPORT ALSO NOTED GREAT POTENTIAL FOR STIMULATING FREE ZONE INDUSTRIAL ACTIVITY INHERENT IN RECENT AGREEMENT WITH EEC THAT WILL PERMIT MANY EGYPTIAN PRODUCTS TO ENTER EUROPE DUTY FREE.
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6. ON SUBJECT OF AMERICAN OR EGYPTIAN-AMERICAN CHAMBER OF COMMERCE, IT WAS NOTED THAT A NEW APPROACH HAD BEEN SUGGESTED TO SURMOUNT SOME OF LEGAL PROBLEMS WHICH HAVE PAST IMPEDED EFFORTS TO ESTABLISH SUCH A BODY. POSSIBILITY WAS RAISED THAT CAIRO GROUP COULD BE SET UP AS BRANCH OF A U.S. CHAMBER. LEGAL COUNSEL IN U.S. AND OFFICIALS IN EGYPT WERE SAID TO BELIEVE THIS APPROACH FEASIBLE. FOLLOWING AFTERNOON SESSION OCTOBER 12, BUSINESS COUNCIL GROUP WAS RECEIVED BY PRIMIN SALEM.

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7. ON SECOND DAY OF SESSION, INVESTMENT AUTHORITY DEPUTY CHAIRMAN EL NAZER DISCUSSED OVERALL QUESTION OF FOREIGN INVESTMENT IN EGYPT, INCLUDING AMENDMENTS TO INVESTMENT LAW ENACTED IN JUNE AS LAW 32 OF 1977. APPEARANCE OF IMPLEMENTING REGULATIONS FOR LAW 32 HAD BEEN DELAYED, EL NAZER SAID, BUT WORK ON TEXT IS EXPECTED BE COMPLETED WITHIN THE MONTH. REGULATIONS WILL PROVIDE CLARIFICATION OF LAW AND WILL INCLUDE SPECIFIC EXAMPLES. CHANGES IN ORGANIZATION OF INVESTMENT AUTHORITY WERE TOUCHED UPON, E.G., SETTING UP OF INVESTMENT INFORMATION CENTER AND INSURING THAT REPRESENTATIVES OF GOE MINISTRIES AND AGENCIES ARE AVAILABLE AT INVESTMENT AUTHORITY HEADQUARTERS TO ISSUE PERMITS AND LICENSES. EL NAZER SAID AUTHORITY WOULD NOT MERELY PASS ON PROJECT PROPOSALS, BUT WOULD ACTIVELY SEEK OUT PRIVATE INVESTORS FOR PARTICULARLY PROMISING PROJECTS IN GOE NATIONAL PLAN AND WOULD ATTEMPT PROVIDE PRE-FEASIBILITY STUDIES AS WAY OF INTERESTING PROSPECTIVE PARTICIPATE IN THIS PROCESS BY. E.G., ASSIST IN PREPARATION OF STUDIES.

8. IN DISCUSSION OF PRIVATE SECTOR ROLE, A SUBSEQUENT SPEAKER, NASR AUTOMOTIVE CO. CHAIRMAN GAZARIN, NOTED THAT SOME EXISTING PUBLIC SECTOR FIRMS WERE PLANNING SPLIT INTO SMALLER, SPECIALIZED COMPANIES WHICH WOULD UNCLASSIFIED

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PERHAPS RE-ORGANIZE UNDER LAW 43. GAZARIN EMPHASIZED THAT POSSIBILITY OF SETTING UP FIRMS TO SUPPLY PARTS AND EQUIPMENT FOR MAJOR EGYPTIAN INDUSTRIES WAS FIELD WHICH COULD OFFER REWARDING OPPORTUNITIES FOR BOTH FOREIGN AND EGYPTIAN PRIVATE INVESTORS.

9. AMONG ACTIVITIES SCHEDULED IN ADDITION TO MEETINGS WAS TRIP TO ISMAILIA FOR OCTOBER 11 CEREMONY MARKING OPENING OF ARAB ALUMINUM CO. ALUMINUM EXTRUSION PLANT. PLANT IS SIGNIFICANT AS FIRST EXAMPLE OF NON-FREE ZONE LAW 43 INDUSTRIAL PROJECT WITH US INVOLVEMENT TO BEGIN OPERATIONS.

ON DAY FOLLOWING CLOSE OF FORMAL SESSIONS, REMAINING JBC MEMBERS MET WITH USAID DIRECTOR FOR OVERVIEW OF AID PROGRAM IN EGYPT. INTEREST OF BUSINESS COUNCIL IN SUPPORTING LOCAL PRIVATE SECTOR DEVELOPMENT WAS DISCUSSED IN CONTEXT OF HUMPHREY AMENDMENT.

10. MOST PARTICIPANTS APPEARED BELIEVE THIRD JOINT MEETING PROVIDED USEFUL OPPORTUNITY TO REVIEW COUNCIL ACTIVITIES, LOOK AT STATUS OF CHANGES IN EGYPTIAN LAWS AND PRACTICES ON INVESTMENT AND TRADE MATTERS, AND GO FORWARD WITH NOW PROGRAMS. COUNCIL GAVE ITS APPROVAL TO REVISED FORMAT FOR INVESTMENT STIMULATION PROGRAM AND TO PURSUING IN CONJUNCTION WITH AID THE MIDDLE MANAGEMENT TRAINING PROGRAM. COMMITTEES WERE ESTABLISHED TO PROVIDE CONTINUING REVIEW OF CHANGES IN AND IMPLEMENTATION OF EGYPTIAN INVESTMENT LAW, TO SEEK WAYS OF ASSISTING IN THE PROMOTION OF PROJECTS WITHIN FRAMEWORK OF GOE PLAN THAT WOULD BE SUITABLE FOR PRIVATE INVESTMENT, AND TO ASSIST IN IDENTIFYING OPPORTUNITIES FOR INVESTMENT THAT MIGHT EXIST THROUGH PROVIDING SERVICES AND PRODUCTS SERVICES AND PRODUCTS TO FEED EXISTING MAJOR EGYPTIAN INDUSTRIES, AT CLOSE OF JOINT SESSION, RESOLUTION WAS ADOPTED TO HOLD NEXT EXECUTIVE COMMITTEE MEETING IN APRIL
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1978 AND NEXT FULL MEETING IN OCTOBER 1978, IN WASHINGTON.
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Message Attributes

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